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FISCAL IMPACT STATEMENT

LS 6802 | **NOTE PREPARED:** Jan 19, 2009
BILL NUMBER: HB 1617 | **BILL AMENDED:**

SUBJECT: Special property tax statements.

FIRST AUTHOR: Rep. Smith M | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: This bill eliminates the authority for a county to use provisional property tax statements and substitutes a requirement that the county use special property tax statements if the county auditor fails to deliver the abstract to the county treasurer before March 16. It requires the use of special statements for property taxes payable in 2009 if the abstract is not delivered before June 1, 2009. It provides that the special statements are calculated based on revised assessments determined using cost adjustments provided by the department of local government finance. It repeals superseded provisions.

Effective Date: Upon passage; January 1, 2008 (retroactive); January 1, 2009 (retroactive); January 1, 2010.

Explanation of State Expenditures: The State Board of Accounts has to approve the form for the special statement. Each year, immediately after the March 15th deadline for the county auditor to deliver the county abstract to the county treasurer has passed, the department of local government finance (DLGF) must determine which counties are delinquent. For each delinquent county, the department shall compute annual adjustment factors for each type of real property in the county using a nationally recognized replacement cost methodology. These replacement cost factors would be different from sales ratios currently in use (the DLGF will begin doing sales ratio studies in 2009 relieving the counties of these duties). The Department would have to subscribe to the replacement cost tables in years when a general reassessment does not occur. It could face additional costs for subscriptions and calculating the factors. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues:

Explanation of Local Expenditures: Local costs could be reduced because of the elimination of reconciling bills.

Explanation of Local Revenues: Under current law, a county may elect to send out provisional tax statements to its taxpayers if it did not complete the abstract of its property by March 15th of the tax payment year. The abstract is prepared when tax rates are certified and tax bills are figured. Provisional bills are based on 90% of the previous year's taxes. When the county completes its abstract, the county sends a reconciling statement in the amount of the actual tax liability minus the amount they paid under the provisional bill. If the actual tax is less than the amount paid under the provisional bill, the taxpayer would be issued a refund.

If the county treasurer determines that it is possible to send the reconciling statements by October 10th, the treasurer may currently request permission from the DLGF to issue the reconciling statement as a replacement for the second installment of provisional taxes.

For taxes payable in 2010 and after, this bill repeals the current provisional and reconciling bill statute. If the auditor does not deliver the county's abstract to the county treasurer on time, the county treasurer has to issue a special statement to taxpayers. The special statement would replace the current provisional and reconciling statement. Additionally, the county would have to revise the assessments of real property on which buildings and land improvements are located using annual adjustment factors provided by the DLGF. On receipt of the real property adjustment cost factors from the DLGF, the county assessor shall recompute assessed values for all real property parcels on which buildings and land improvements are located, and forward the revised assessment to the auditor. The auditor, in turn, shall forward the revised assessed values for each taxing unit in the county to the DLGF for certification. The revised values would be used to compute new tax rates and tax bills in the county.

For taxes payable in 2009, the county has to issue a special statement if the county auditor fails to deliver the abstract before June 1, 2009. However, the special statement is not required if the county decides before June 1, 2009 instead to issue provisional statements.

In counties that have not timely completed assessment and billing duties, this proposal could speed up the billing process. Earlier billings could eliminate or reduce the need for local civil taxing units and school corporations to borrow money for cash flow purposes.

The revised assessed values using the adjustment factors from the DLGF may be different from the assessments computed under current rules. As a result, tax rates may differ which could affect the amount of circuit breaker credit costs in the county. Assuming the same property tax levy, if the revised assessed values are lower than under the current rules, tax rates would be increased which could increase the amount of circuit breaker credits. On the other hand, an increase in assessed values could trigger a decrease in tax rates, and a possible decrease in circuit breaker credits.

State Agencies Affected: State Board of Accounts, DLGF.

Local Agencies Affected: County Assessors, Auditors, Treasurers; Local civil taxing units and school corporations.

Information Sources:

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